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P 210732Z MAY 07
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC PRIORITY 4798
INFO RUEHZS/ASEAN COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 4095
RUEHBY/AMEMBASSY CANBERRA 0768
RUEHWL/AMEMBASSY WELLINGTON 1505
RHHMUNA/USCINCPAC HONOLULU HI
RUEHIN/AIT TAIPEI 1977
ZEN/AMCONSUL SURABAYA

C O N F I D E N T I A L SECTION 01 OF 03 JAKARTA 001424

SIPDIS

FROM AMCONSUL SURABAYA 0051

DEPT FOR EAP, EAP/MTS

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E.O. 12958: DECL: 05/21/2017
TAGS: [PREL](#) [PGOV](#) [PNAT](#) [PINR](#) [KISL](#) [EINV](#) [ID](#) [CH](#) [TW](#)
SUBJECT: Indonesia/East Java: PRC Consulate Offers
New Investment and Headaches

Classified by Pol/Econ Officer David Williams,
reasons 1.4 (B) and (D).

1. (C) SUMMARY. The recently established PRC Consulate General in Surabaya (ConGen China) is actively promoting Chinese interest in infrastructure and natural resource investment projects in Eastern Indonesia. Chinese Consul General Fu Shuigen (CG Fu) has worked hard to connect Chinese investors with influential local leaders to discuss their high profile "pet" projects. ConGen China is also reaching out to prominent ethnic Chinese Indonesian (Tionghoa) business leaders, encouraging investment in China. Some Tionghoa see risk in associating themselves too closely with ConGen China, given the uneasy history of ethnic Chinese in Indonesia. CG Fu recently held a "China Peace Conference", enlisting several prominent East Java political and religious leaders as Advisory Board members for impromptu speeches to the large crowd. The participants were shocked when the conference ended with proclamations denouncing Taiwanese leader Chen Shui-Bian and calling for the rapid reunification of Taiwan with China. Several of our contacts expressed anger at being tricked into associating themselves with the Taiwan political issue and ConGen China will have to work hard to regain their trust. Additionally, CG Fu and his staff have been working hard to cultivate members of the Surabaya Consular Corp, in particular U.S. and Japanese Consulate staff. END SUMMARY.

Chinese Diplomats Arrive in Eastern Indonesia

2. (SBU) Diplomats from the People's Republic of China (PRC) began arriving in Surabaya in April 2006 to open a new Consulate General; it opened officially on November 9, 2006, under Consul General Fu Shuigen. The Consulate covers East Java, Bali and West and East Nusa Tenggara provinces. Opening with at least 12 officers, it is now the largest consulate in eastern Indonesia. According to the Chinese Ambassador, the Consulate's primary purpose is to promote economic and trade cooperation in eastern Indonesia. CG Fu has traveled extensively throughout his district discussing investment projects with provincial leaders.

Setting the Trap - The FDI "Charm Offensive"

13. (SBU) Our contacts tell us CG Fu has been making the rounds meeting local political leaders and offering assistance with infrastructure development. According to newspaper reports, CG Fu met with Bali Governor Dewa Beratha touting Chinese interest in the development of a Serangan/Nusa Dua Bridge, Beratha's pet infrastructure project. CG Fu met with the East Nusa Tenggara governor Piet Tallo to discuss Chinese investor interest in developing their fisheries and oil and gas reserves. According to contacts present at the meeting, CG Fu personally arranged the investor meetings while sitting with the governor. CG Fu traveled to West Nusa Tenggara to discuss mining opportunities in Sumbawa (where Newmont Corp. has their huge Batu Hijau copper and gold mine) and has had several meetings with East Java governor Imam Utomo about reviving the Chinese funded Surabaya/Madura Bridge project, an infrastructure priority of the governor and President Yudhoyono. (Note: Work on the bridge was stopped after more than 25% of the \$170 million in funds and materials donated went "missing".)

4 (SBU) Chinese investors have, at least initially, focused on high profile (read politically connected) economic development projects. Our contacts tell us that the "political" meetings all eventually led to meetings with investors from Hong Kong or southern China. However, local leaders have been frustrated

JAKARTA 00001424 002 OF 003

by the slow pace of actual commitments by Chinese investors.

ConGen China Also Targets Tionghoa Business Leaders

15. (SBU) Our business contacts tell us that the Chinese Consulate is reaching out to the over 500,000 ethnic Chinese Indonesians living in the province. Tionghoa own most of the large businesses, the large tracts of plantation land and the major real estate developments in East Java. Many of East Java's wealthiest residents and industrialists are Tionghoa. Many prominent Tionghoa businessmen are being assiduously wined and dined by CG Fu, who often uses the events to pitch for greater Indonesian investment in China. Our contacts remain reluctant to discuss any additional "overtures" made by Chinese Consulate officials at the dinners.

16. (SBU) Sentiments are running strong as two camps are forming in the East Java Tionghoa business community: those that believe they can receive economic advantages from a close relationship with the PRC and those that remember the 1998 anti-Chinese violence and fear political or other reprisals from any contact with the Consulate. (Note: While there have been no incidents for 9 years and Indonesia is arguably a much different place now, a number of our contacts still keep the majority of their liquid assets outside of Indonesia and keep their visas current in case Tionghoa become targets for violence again.)

Springing the Trap - The China Peace Forum

17. (C) In March, ConGen China hosted a "China Peace Forum" (CPF) in Surabaya. The lavish event was held in the ballroom of a five-star hotel and attended by

an estimated 1,500 predominantly Tionghoa guests and included many of East Java's most prominent political, religious and military leaders, all non-Tionghoa. Attendees included East Java Governor Imam Utomo, Ali Maschan Moesa, Chairman of East Java Nadhlatul Ulama (NU) and possible 2008 East Java governor candidate, Syafiq Mughni, Chairman of East Java Muhammadiyah, Maj. General Syamsul Mappareppa, East Java Military Commander and Br. General Sumaryono, East Java Deputy Police Chief. According to Moesa and Mughni, the dignitaries were approached during the event by CG Fu and several local Tionghoa business leaders who asked them to join the "Advisory Board" of the CPF and speak briefly to the audience. Several accepted the invitation, seeing both an opportunity to address the top business (i.e. moneyed) elite in East Java and frankly having no polite way to refuse. Muslim leaders Moesa and Mughni told us they spoke at the meeting about promoting world peace, good relations between Indonesia and China and non-violent conflict resolution. They both specifically mentioned their intention that the CPF would focus on issues other than Taiwan.

18. (SBU) At the end of the meeting however, the Chairman of the Advisory Board Henry J. Gunawan (a wealthy real estate developer) announced, to the surprise of its newest members, three proclamations made by the CPF:

- a. The CPF supports the Indonesian government's one China policy;
- b. The CPF condemns the opinion of Taiwanese leader Chen Shui-Bian supporting the separation and renaming of Taiwan as dangerous and destabilizing to the region; and
- c. The CPF urges the PRC government to hasten

JAKARTA 00001424 003 OF 003

reunification with Taiwan.

CG Fu commented to reporters that "the proclamations are evidence that both countries love peace and do not want to lose their territories. This is evidence of Indonesia's agreement with China on this issue."

Local Leaders nger"ed

19. (C) The announcement and the next days lead newspaper articles and photographs with captions proclaiming their "agreement" with the Tawan statement angered and embarrassed our contacts, who told us they felt they were caught in a "rap". NU leader Moesa expressed to us his disappointment that the CPF became a "loudspeaker" for RC government Taiwan policies. He was upset that local Tionghoa businessmen he trusted told him that the forum would address a variety of social and political issues. Moesa said that the Chinese approach fooled him and he will be wary in any future dealings with ConGen China. Muhammadiyah leader Mughni told us privately, "I thank God my name was not mentioned in the paper. Muhammadiyah members would be very confused as to why I was involving myself in international politics. I think Tionghoa businessmen endanger themselves if they become involved in politics with the Chinese. The Chinese Consulate really took advantage of us that night."

Comment - olitical Capital Spent

¶10. (C) ConGen China's ultimate goal with the CPF was unclear. Their misstep could be from a lack of understanding of the local culture or a need to use any means necessary to promote public statements of support for PRC policies. What is clear is that the good will and political capital ConGen China earned over the last year courting local politicians and arranging investor meetings was spent in one night. ConGen China succeeded in trapping a number of local dignitaries into publicly supporting reunification with Taiwan, but at a cost. Our contacts uniformly stated they would not attend another CPF meeting and no longer trust the motives or intentions of ConGen China. The CPF also drove a wedge in to the East Java Tionghoa community publicly creating a controversy where none had previously existed. Many of our Tionghoa contacts fear openly supporting PRC political goals, possibly alienating Indonesian nationalists and making Tionghoa targets for future violence.

¶11. (C) True to form, soon after the first wave of ConGen China staff arrived in Surabaya, they began to "reach out" aggressively to members of the Consular Corps, many of whom are wealthy Tionghoa. In particular, they targeted the only two full diplomatic Consulates in Surabaya, the Japanese and the U.S. Early on, ConGen China staff approached U.S. consular and administrative staff regarding internal procedures and seeking access to the Consulate compound. Our Japanese colleagues reported similar experiences with their staff. ConGen Surabaya RSO briefed both local and American staff regarding contact with ConGen China staff and those initial efforts have tapered off as most contacts now come at the Principal Officer level.

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